

EURO DISNEY S.C.A.

1998 IN REVIEW



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The Football World Champions 1998 at Disneyland® Paris (the French team)



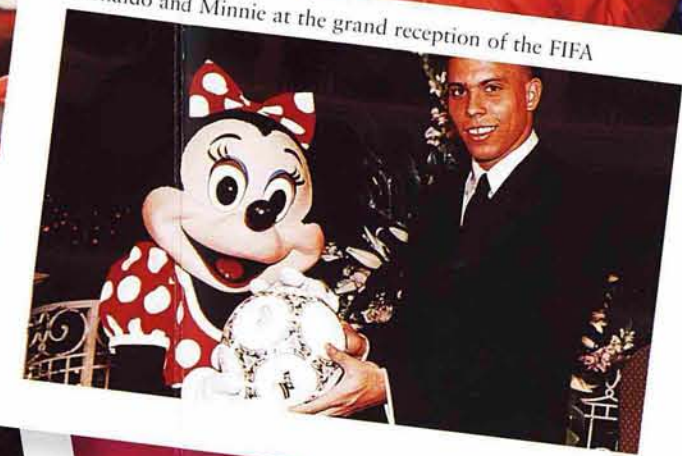
The Wonderful World of Disney Parade



Ronaldo and Minnie at the grand reception of the FIFA



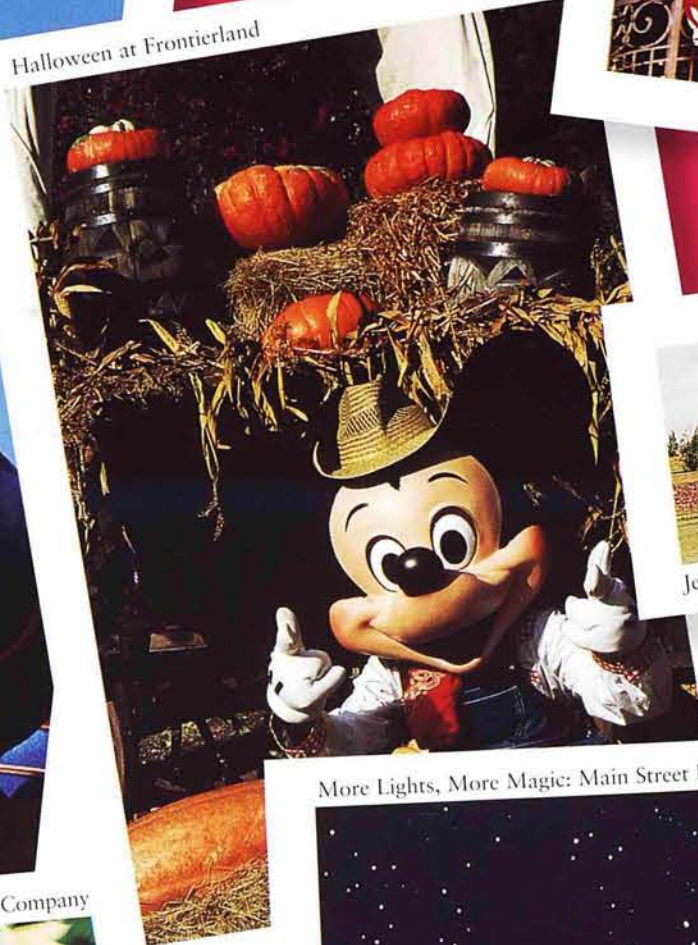
Winnie the Pooh and Friends, too



Tinker Bell's Fantasy in the Sky Fireworks Show



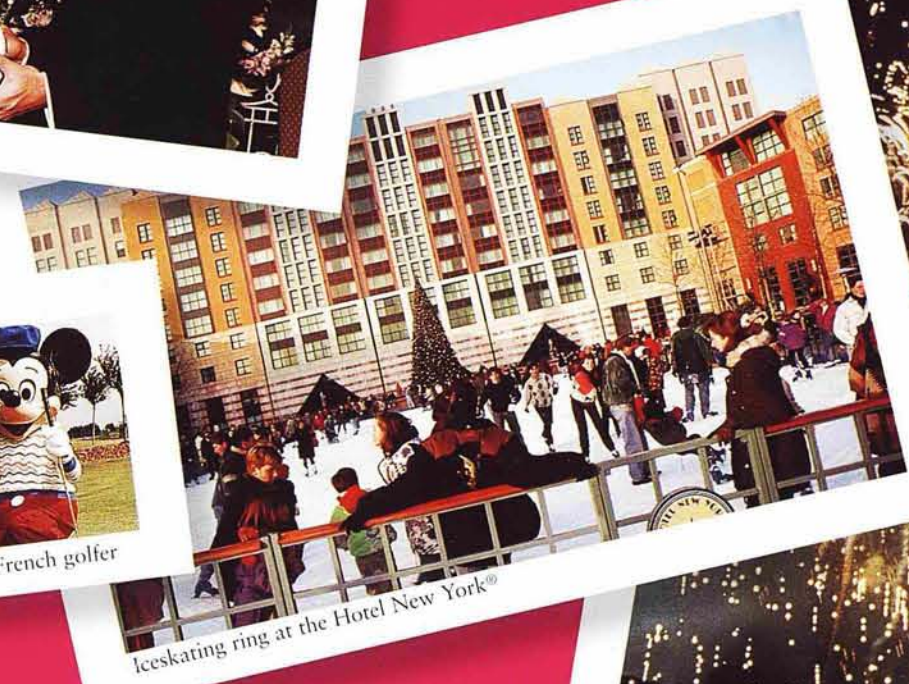
The Wonderful World of Disney Parade



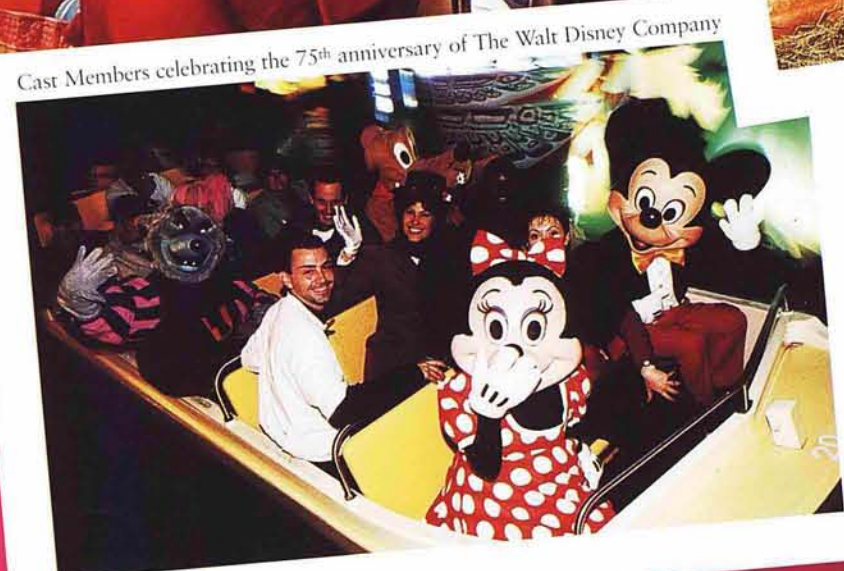
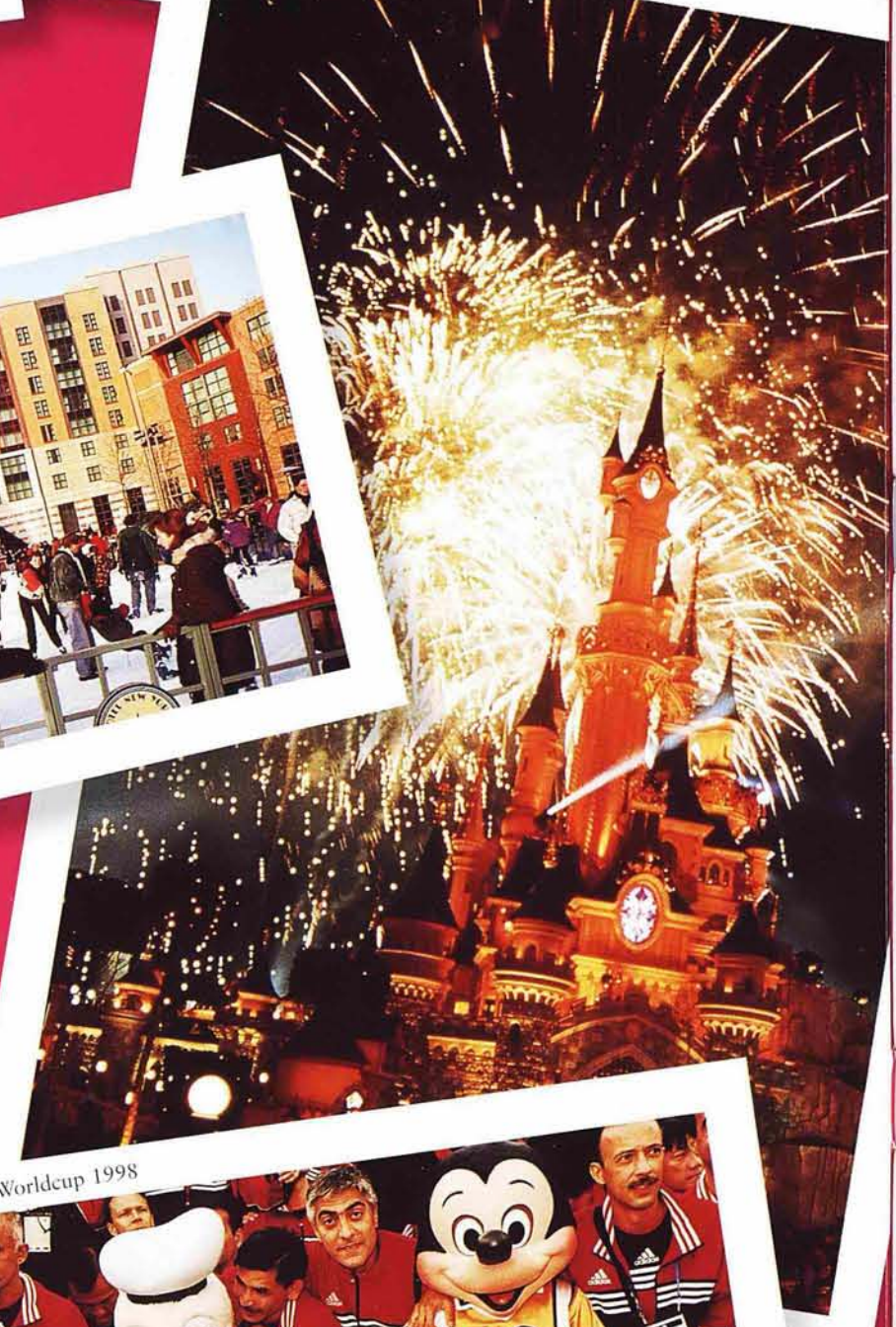
Halloween at Frontierland



Jean Van De Velde, N° 1 French golfer



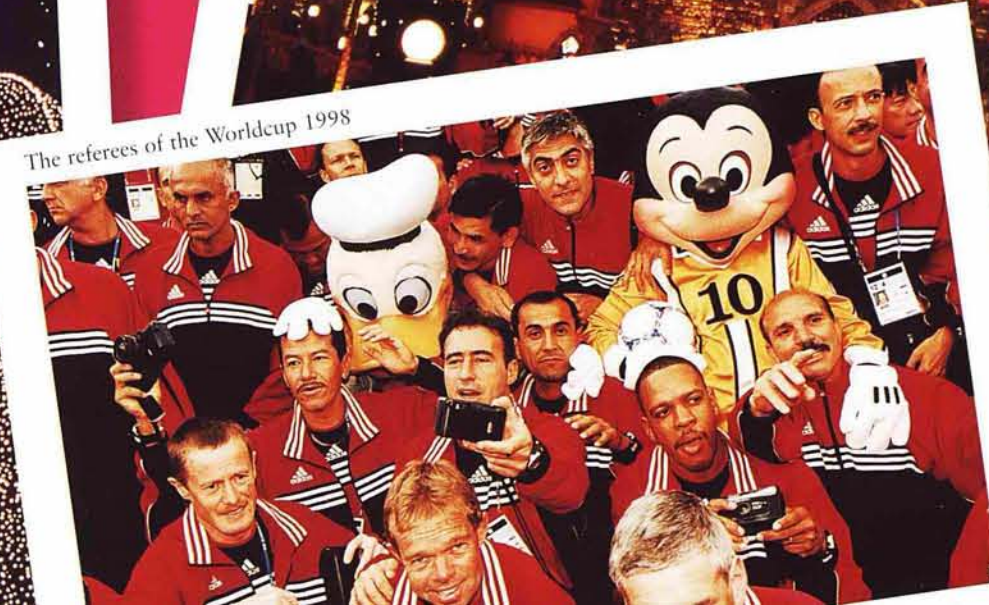
iceskating ring at the Hotel New York®



Cast Members celebrating the 75th anniversary of The Walt Disney Company



More Lights, More Magic: Main Street Electrical Parade



The referees of the Worldcup 1998



The Year of **Disney** Classics

Euro Disney S.C.A. is the operating company of the Disneyland® Paris Resort, 32 km from the centre of Paris and complete with unique transportation facilities. Opened in April 1992, Disneyland Paris includes a Theme Park, seven themed hotels with nearly 5,800 rooms, conference facilities, Disney® Village and a 27-hole golf course.

In 1998, growth at Disneyland Paris has continued. Revenues rose 8% to FF 5,890 million. Theme Park attendance of 12.51 million visitors approximated the prior year's record levels, despite a fall in tourist visits during the Football World Cup in June and July. The strong attendance reflects the sustained appeal of Disneyland Paris and the 1998 Disney Classics entertainment programme. With the opening of a second convention centre in the Resort, hotel occupancy reached a record 80.9%, boosted by strong demand for corporate entertainment during the Football World Cup period. Guest spending in the boutiques and restaurants also improved during the year. Furthermore, results benefited from a non-recurring contribution from development activities.

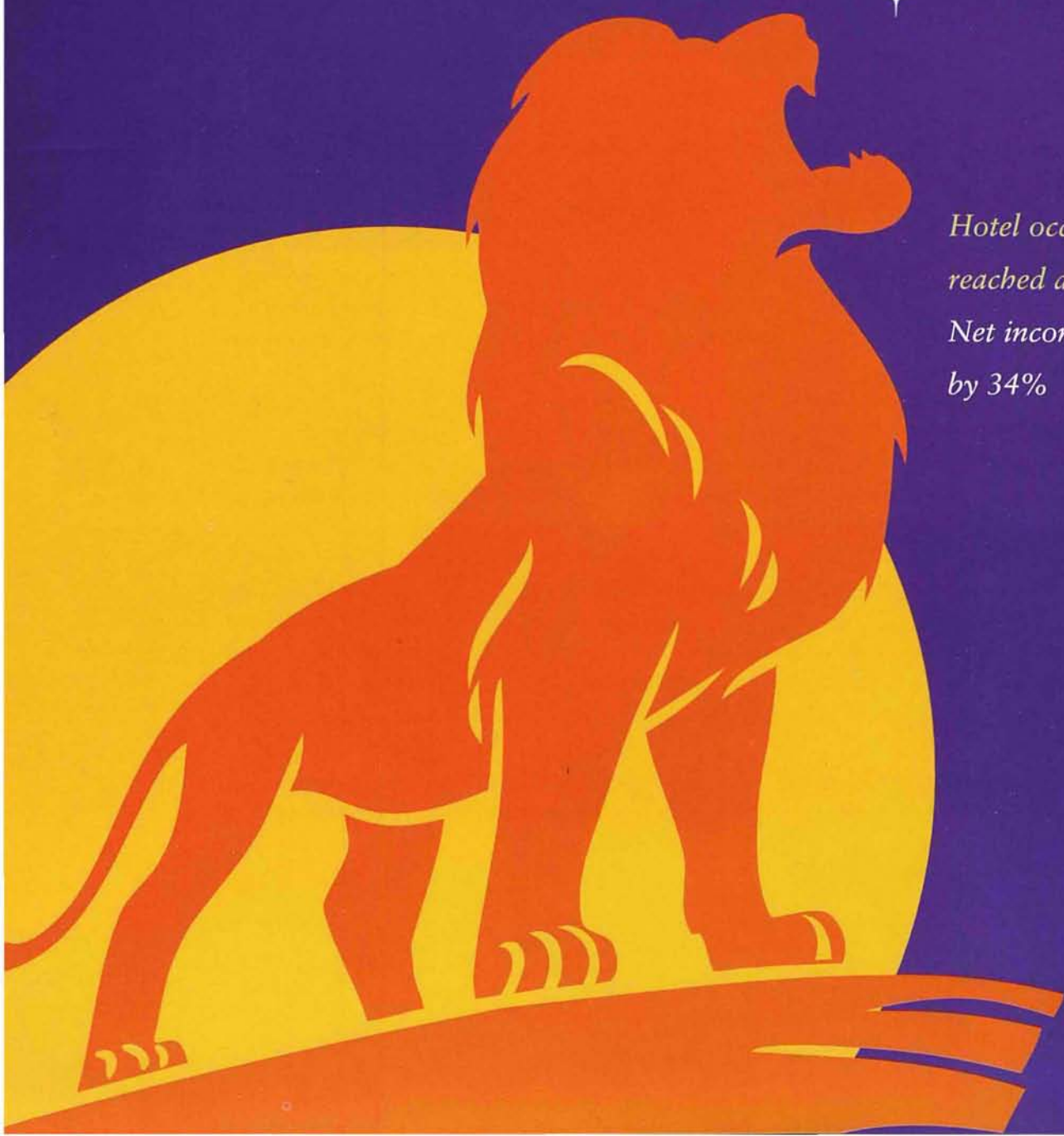
The increase in revenues combined with ongoing cost control, has generated a strong improvement in operating margins, more than offsetting scheduled increases in lease and financial charges. As a result, 1998 net income increased by 34% to FF 290 million. In 1999, the Company will continue to focus on improving its operating margin.

Additionally, the Company also controls the development of 1,300 hectares (3,200 acres) of undeveloped land around the Resort which currently covers 700 hectares. Expansion of the site is continuing with new projects to broaden both tourist offerings and the Val d'Europe urban development at the gates of Disneyland Paris. Construction of an international shopping mall, a second R.E.R. suburban rail station (with an opening date for both expected for the second half of the year 2000) and the road infrastructure is now well underway.

Look out for the major event of 1999, the scheduled launch of the new *Honey, I Shrank the Audience!* attraction in late March. This is the first big new attraction since the opening of Space Mountain in 1995.



Continuing
Improvements
in Revenues



*Hotel occupancy
reached a record 80.9%
Net income increased
by 34%*

1998 KEY FIGURES

1998 Breakdown of Revenues by Activity



1998 Geographical Breakdown of Theme Park Visitors



(in FRF millions)	Fiscal Year		
	1998	1997	1996
Disneyland® Paris Resort revenues*	5,890	5,477	4,968
Income before lease and financial charges	1,143	880	724
Net income	290	217	202
Cash flows from operating activities	593	550	311
Total debt**	15,919	15,877	15,695
Shareholders' equity and ORAs	7,337	7,040	6,815

* excluding construction sales

** including debt of the unconsolidated financing companies and excluding the bonds redeemable in shares (ORAs)



CHAIRMAN'S STATEMENT

Dear Shareholder,

During 1998, the Football World Cup focused the attention of the world's media on France and, in particular, on its ability to organise large events, its standing as a premier tourist destination, and of course on the talent of its team!



Disneyland® Paris has built on the steady growth established over previous years

While the result of the Football World Cup has been globally positive for France and its international image, the immediate impact on the French tourism industry was less positive. Most of the leisure and amusement parks in France experienced a slow down in their business, which has been attributed to competition with the month-long Football World Cup sporting event and particularly difficult weather conditions, especially in April and July.

In this challenging environment, Disneyland Paris has confirmed its position as the leading leisure destination in Europe. Following three years of strong growth, Theme Park attendance remained stable at the prior year record level of more than 12.5 million guests. At the same time, hotel occupancy reached a record level of 80.9%, which represents some 10 points above the Ile-de-France region average.

Our operating margin, another key factor of financial performance, has continued to improve as a result of persistent cost control. 1998 was the first fiscal year to fully benefit from our Company's reorganisation efforts and the redefinition of purchasing policies first initiated in 1996. As a result, costs and expenses, excluding development activities, increased at half the rate of our revenues, resulting in a 21% increase in income before leasing and financial charges. In addition, as I announced to you last year, 1998 benefited from a positive impact from development activities. Nearly 100 million French francs of fiscal year 1998 results was derived from development activities, most of which related to the Val d'Europe project.

New drivers for growth

After more than six years of operations, we have become increasingly more sophisticated at managing large numbers of guests, anticipating business peaks and applying optimal prices at all times. Now, our focus must be of a more qualitative nature: to offer an even more personalised experience to our guests.

Service and quality are critical to maintaining repeat visits; in 1998, our repeat visit rate increased to 36%. Additionally, spending per guest increased at both the Theme Park and the hotels.

I see in these excellent results, the fruit of our efforts to improve the quality and diversity of our offer, while ensuring to guarantee consistency in service quality throughout the site.

The range of our products and services is constantly changing and we are continually improving our organisational structure

In 1998, entertainment programmes paid tribute to the magic of Disney and our seasonal event policy was expanded. In the Theme Park, it was *The Year of Disney Classics*. Among other programmes, our guests were invited to participate in the largest interactive parade ever created in the Park, *The Wonderful World of Disney Parade*, to discover at the Théâtre du Château stage the new show dedicated to Winnie the Pooh and friends and to admire, during the summer nights, the new pyrotechnic show, *Tinker Bell's Fantasy in the Sky Fireworks*.

Seasonal events also experienced growth. In the Theme Park, special events were organised, including *Soirées Étoilées* and *Halloween*. In Disney® Village, we organised a Guy Fawkes celebration and French, Celtic and Latin music festivals. To celebrate the Football World Cup, special events were organised, combining live concerts and the broadcast of the matches on giant screens.

Over the last two years, our operational structure has been completely reorganised into a matrix structure, helping to improve service, consistency and flexibility. These improvements in our organisation have been accompanied by investments to enhance information systems, the redefinition of our purchasing policy, as well as the implementation of numerous initiatives aimed at improving the synergies with other Disney entities and the key partner companies of Disneyland® Paris.

But aside from our operational performance, our best commercial asset remains the professionalism and dedication of the 10,000 cast members that make up the Disneyland Paris cast. In 1998, the Company dedicated over 4% of its payroll costs to training, which represents 42,000 training days for nearly 80 different programs. Continued professional development of our cast members is becoming more important since Disneyland Paris is currently going through a substantial expansion phase.

1999, expanding for the future

Various major developments were launched in 1998 that, we hope, will impact fiscal 1999. Just recently enclosed, the 1,200 seat Chaparral Theater now provides an additional theater capacity in winter. The stage at Videopolis has been enlarged by over 100 m² and equipped with new giant screens to receive the new show *Mulan, The Legend*, inspired by Disney's 36th animated feature and China's ancestral arts and traditions. Finally, we are actively preparing the major event of 1999, the opening of *Honey, I Shrank The Audience!*. This new attraction, which includes state-of-the-art technology and interactive special effects, will be the first major new attraction in the Theme Park since 1995.

In Disney® Village, we have just inaugurated a new McDonald's® restaurant, and in a few months a Rainforest Café restaurant and seven additional screens in the Gaumont multiplex cinema are scheduled to open.

Additionally, the development of an urban centre, located just three kilometres from Disneyland Paris, where priority is given to community, quality of life and respect for the environment, is well underway. The Val d'Europe urban centre will ultimately include an international shopping centre. Architecturally inspired by the Halles Baltard, the residential areas are designed in the tradition of the Briard region, a business park and a second R.E.R. suburban metro station.

However, 1999 will also bring new challenges. In addition to an increase in lease expense, we will begin to pay The Walt Disney Company royalties and management fees. Keeping these commitments, made in 1994, is fundamental to our financial credibility.

We can now look forward to the new millennium and the year 2002, the Theme Park's tenth anniversary. The crossing has begun. I have full trust in the ship's sturdiness and the crew's experience. We will work together to continue offering our guests an increasingly competent, warm and always surprising welcome that is, in one word, Magic!



Gilles Pélisson

Chairman and Chief Executive Officer



MANAGEMENT TEAM

1 GILLES PÉLISSON
Chairman and Chief Executive Officer

2 JAMES RASULO
Chief Operating Officer



3 JEFF ARCHAMBAULT
Special Projects

4 LAURENCE BERMAN-CLÉMENT
Strategy and Corporate Alliances

5 DOMINIQUE COCQUET
Real Estate and General Secretary

6 PHILIPPE MISTELI
Finance

7 JAY SMITH
Entertainment

8 BERTRAND GAILLOCHET
Marketing & Sales

9 PHILIPPE SPIETTE
Merchandise, Purchasing, Logistics

10 MARC ROBINO
Food & Beverage

11 MICHEL PERCHET
Cast Members and Quality

12 CHRISTIAN PERDRIER
Resort Services

YANN CAILLÈRE*
Hotels and Disney® Village

PHILIPPE LAFLANDRE*
Theme Park

** Joined the Executive Committee
in November 1998 (not pictured)*



The Mary Poppins Float from
The Wonderful World of Disney Parade

CAST MEMBERS

A Year of Professionalism and Dedication

Whether on stage or back stage, Disneyland® Paris cast members have continued to concentrate their efforts on improving the quality of the Disneyland Paris experience and, in particular, increasing the personalised welcome to each and every visitor.

In 1998, the Company dedicated 4.6% of its labor costs to training. Disney University provided over 42,000 days of training for nearly 80 different programmes, most of which were related to the tourism profession. European recruitment campaigns were intensified and new information systems were put in place. Better mobility of competency within the Company and a more precise measurement of the individual performance of the cast members contributed to a more favourable and flexible work organisation.



OUR GUESTS EVERY DAY

MILLIONS OF SMILES FOR



New achievements in 1998 across divisions

Theme Park

In 1998, management has continued to focus on improving the services in the Theme Park.

In particular, the number of European cast members has been increased to ensure that a greater number of visitors can be greeted in their own language.

The opening hours have also been adapted to match with the special events and school holiday calendar. Furthermore, initiatives aiming at reducing the waiting time for the attractions have been implemented.



Hotels

The major focus for 1998 was the opening of the second Convention Centre at the Newport Bay Club®. This increase in convention capacity has helped to build business tourism occupancy during the year and, in particular, around the Football World Cup.

Two new bars, *Café Fantasia* and *Captain's Quarter* were inaugurated at the Disneyland® Hotel and the Newport Bay Club®, respectively.

Simplification of the check-in and check-out process has continued with new enhanced room information and welcome booklets. Children's activity corners have been set up where children can take part in various activities while allowing their parents additional leisure time.



Disney® Village

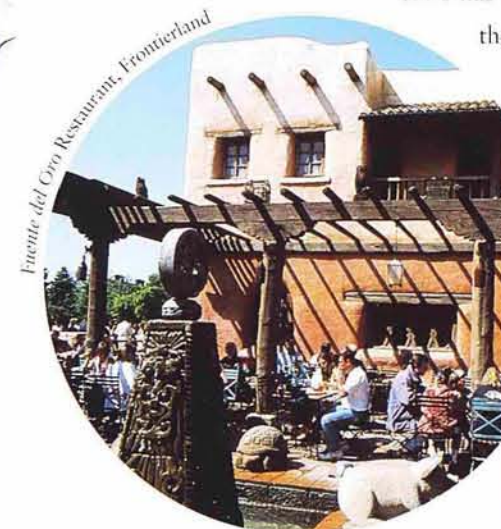
This year brought more entertainment, more new music festivals and the Football World Cup celebrations. To accommodate increased hotel occupancy and the number of visitors from the local region, the terraces were expanded by 600 seats. In January, the Buffalo Bill's Wild West Show underwent a complete renovation including an advanced sound system to ensure that the quality standards remain as high as ever.

Latin festival at Disney® Village



Food & Beverage

1998 has been an excellent year for convention catering with the opening of the Newport Bay Club® Convention Centre and its new state-of-the-art kitchens capable of serving thousands of hot meals in a short period of time. The diversity and quality of our food



and beverage offer have improved significantly by the introduction of additional menus in the restaurants and a greater variety in the breakfast buffet of the hotels. In the Theme Park, several restaurant terraces have been covered to increase seating capacity.



Café Fantasia, Disneyland® Hotel

Boutiques 1998 spending in the boutiques was boosted by the success of new product lines such as the *Mickey Magic* line, as part of the Disney Classics theme, and *Winnie the Pooh*. Renovation of the boutiques continued this year with the expansion of Sir Mickey's boutique in Fantasyland.

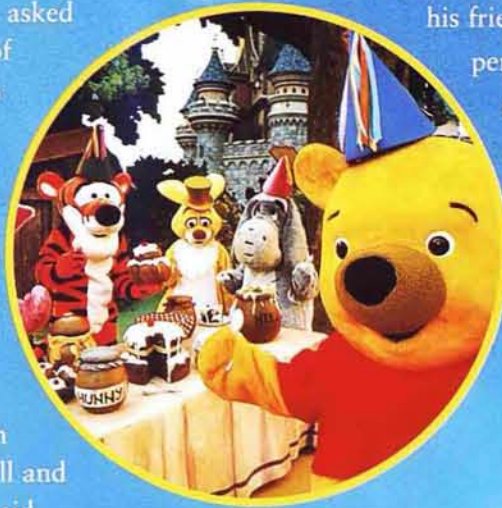
Marketing & Sales

Among the most significant events during the year was the introduction of a new information system, which provides reservation agents with on-line access to airline and rail reservation platforms. As a result, sales of travel inclusive packages have continued to grow. Good progress has also been made to strengthen local Paris regional attendance due to the success of the *Annual Passport* programme.



The Wonderful World of Disney Parade

Children delight in being asked to share the adventures of their favourite characters and to relive the magic of the Disney Classics: to be part of the crew of Hercules, become a princess alongside Cinderella, dance with the characters from The Jungle Book, dress up as a puppet with Pinocchio, slip into a shell and become The Little Mermaid... all the Disney Classics come alive before their very eyes!

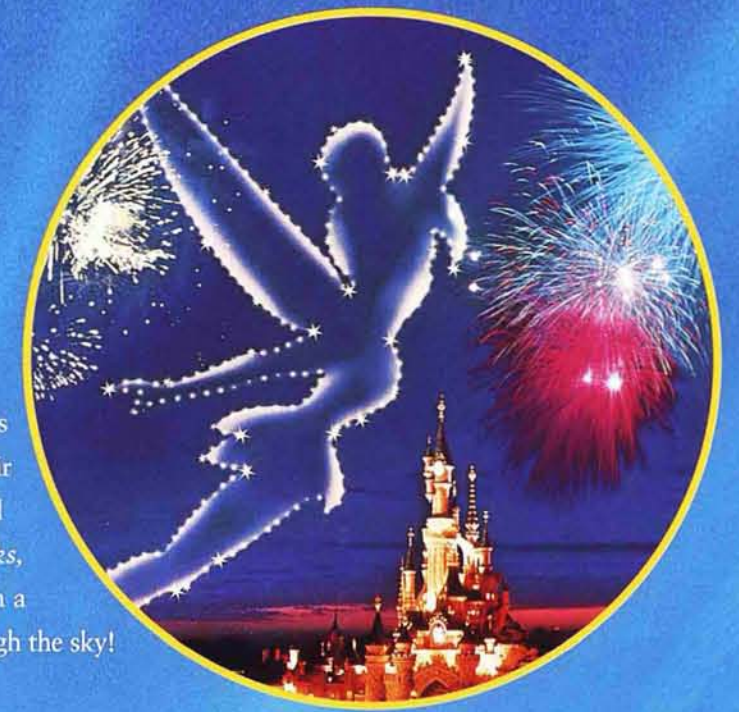


Winnie the Pooh and Friends, too

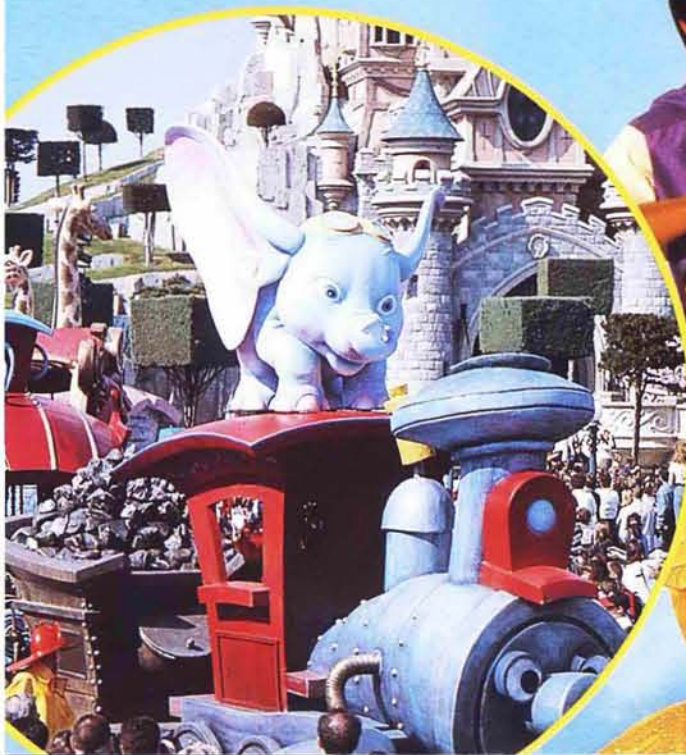
From 1st April, Winnie the Pooh and his friends Tigger, Piglet and Eeyore performed in a stage show at the Théâtre du Château and treated the guests to escapades around the Honey Tree.

Fantasy in the Sky Fireworks

The 1998 summer evenings were more magical than ever! The *More Lights, More Magic: Main Street Electrical Parade* welcomed new floats dedicated to Pinocchio and to Snow White in their costumes of lights. The final touch to this magical evening, *Tinker Bell's Fantasy in the Sky Fireworks*, choreographed to a delightful musical score, with a surprise for all... as Tinker Bell actually flies through the sky!



WHAT A PERFORMANCE!



A new phase begins

With the introduction of the common currency and the arrival of new participants in the Theme Park market, the economic environment will become increasingly competitive. In response, we have increased initiatives aimed at maintaining our attractiveness in the European leisure market.



Theme Park: A new attraction

Various major developments were launched in 1998 that will take shape throughout the current fiscal year. Just recently completed, the 1,200 seat Chaparral Theater now provides an additional theatre capacity in winter. This improvement will facilitate five daily shows of a new musical *Mickey's Winter Wonderland*. The stage at Videopolis has been enlarged by over 100 m², and equipped with

new giant screens to receive the new show *Mulan, The Legend*, inspired by Disney's 36th animated feature film and China's ancestral arts and traditions.

We are actively preparing the launch of *Honey, I Shrank the Audience!* for the end of March 1999.

This first major new attraction in the Theme Park since 1995, includes state-of-the-art technology and interactive special effects.

Disney® Village

Disney® Village, the entertainment centre, where our international guests and local clientele converge, has also begun a new expansion phase in 1998 including the inauguration of a themed McDonald's restaurant, with a unique architectural style.



Disney
Village



A Rainforest Café restaurant will open in April. It will be the first introduction of this type of restaurant in France decorated in a way that plunges the guests directly into the Amazon forest.



This concept has already been a great success, particularly at Walt Disney World in Florida.

During its first year of operation, the Gaumont multiplex cinema at Disney® Village surpassed its original forecast so much so that seven additional screens are scheduled to open in June 1999. Total capacity will increase to fifteen screens with a total of 3,700 seats, guaranteeing a diversified choice of movies, adapted to all tastes.

The Val d'Europe: An unprecedented urban challenge

The laying of the first stone of the international shopping centre last October, marked the birth of the Val d'Europe, a project that will serve as a stepping stone for our future development plans. Together with public authorities and local representatives, we are working to develop a town in the Ile-de-France region, located just three kilometres from Disneyland® Paris, where



priority is given to community, quality of life and respect for the

environment. The challenge lies in transforming a tourist destination into a multifaceted community in which the "Disney" image cohabitates naturally and homogeneously with the residential and commercial developments planned. Our main role in this project consists of providing the Val d'Europe with a strong identity, combining both the tradition of the Briard region and an international dimension, endowed with clearly thought-out and well designed architecture. In this respect, the style of the proposed international shopping centre, directly inspired from the Halles Baltard, clearly illustrates our ambition for the project.

Val d'Europe
Disneyland
PARIS



SHAREHOLDER INFORMATION

+ The Shareholders Club

Established for individual shareholders, the Euro Disney Shareholders Club has been operating since 1995. It provides members with quarterly information letters on the results of the Group. Through its dedicated telephone lines, members are able to obtain financial information on the Company, or assistance in organising their trip to Disneyland® Paris.

+ Share Price Performance



+ Market Capitalisation

	September 30,		
	1998	1997	1996
Number of shares (in millions)	768	767	765
Market capitalisation (FRF in billions)	6.3	6.3	8.8
Share price:			
High (FRF)	12.85	11.50	10.60
Low (FRF)	6.80	8.00	7.40

+ Shareholder Breakdown

(at September 30, 1998)

Number of Shares (in millions)% held



* via its wholly-owned subsidiary, EDL Holding Company
 ** via KINGDOM 5-KR-21, Ltd, a company whose shares are held by trusts for the benefit of Prince Alwaleed and his family.

+ Stock Exchange Activity

		Price at September 30, 1998	1998 average daily volume
Shares	Paris	FRF 8.25	566,400
	London: local	£ 0.90	8,800
	SEAQ International	FRF 8.25	558,900
	Brussels	BFR 52.00	101,700
Convertible	Paris	FRF 156.55	28,469
Warrant	Paris	FRF 0.52	147,212

Registration services. For all queries regarding the registration of any of your holdings in Euro Disney S.C.A., please contact:

France: Crédit Agricole Indosuez, Service Actionnaires, 92920 Paris La Defense Cedex, Tel: 33 (0) 1 41 89 43 24.

Belgium: KB Securities, 14, place Sainte-Gudule, B-1000 Bruxelles.

United Kingdom: Share and warrant: Computershare Services PLC, PO Box 82, Caxton House, Redcliffe Way, Bristol, BS 997NH.

Convertible Bonds: National Westminster Wealth Management, Centralised Securities Office, PO Box 10, National Westminster House, Station Way, Crawley, West Sussex, RH10 1JE.

+ Market Capitalisation

Euro Disney has several different investment vehicles:

- The most common are the shares (Sicovam code: 12587) traded in the Paris, Brussels and London stock exchanges.
- A 6.75% convertible bond, 2001 (Sicovam code: 8521), issued in 1991, traded in Paris.
- A warrant (Sicovam code: 51472), issued free of charge to existing shareholders of record as at 14th June 1994, traded in Paris.
- An unquoted bond redeemable in shares (ORA).
- An unquoted bond with warrants attached (OBSA).

+ Corporate Governance

The Euro Disney S.C.A. structure introduces, under French law, a clear distinction between the Management Team, responsible for operating the Company, and the Supervisory Board, responsible for ensuring the good management of the Company. The role of the Supervisory Board is to safeguard the Company's and the shareholders' best interests, and to guarantee the quality of the information communicated to shareholders.

+ Supervisory Board

Chairman of the Supervisory Board

- + Mr Antoine Jeancourt-Galignani, Président-directeur général, AGF.

Members of the Supervisory Board

- + The Honourable Lord Grade of Elstree, Chief Executive, Grade Enterprises Ltd († December 13, 1998).
- + Mr Philippe Labro, Vice-Président, Directeur général, RTL.
- + Mr Sanford M. Litvack, Senior Executive Vice President and Chief of Corporate Operations, The Walt Disney Company.
- + Dr Jens Odewald, Chairman of the Supervisory Board, Bodenverwertungs und -verwaltungs GmbH, Tchibo Holding AG and Eurobike AG.
- + Mr Jean Taittinger, Président du Conseil de Surveillance, Société du Louvre; Président-directeur général, Compagnie Financière Taittinger; Vice-Président, Société des Hôtels Concorde.
- + Mr Francis Veber, President, EFVE Films, Escape Film Production Company, Inc.

In response to the recommendations of the 1995 Viénot Report, which recommended the adoption of certain principles of Corporate Governance in France, the members of the Supervisory Board of the Company unanimously agreed, in 1996, to adopt a Supervisory Board Member's Charter. This Charter dictates the fundamental obligations to which all members of the Board should conform. In particular, the text provides for several obligations that go well beyond the demands of the law and the by-laws of the Company. A member of the Board must personally own at least 1,000 shares of the Company, and has a moral obligation to dedicate sufficient time and energy to the position. Each member must put forth his best efforts to attend the Annual General Meeting and the Board Meetings.

Four Supervisory Board meetings were held in fiscal year 1998. The attendance rate of the members of the Board at the meetings was 89%.

Created at the end of 1997, the Audit Committee held three meetings during fiscal year 1998 and reviewed accounting and reporting issues as well as the internal and external audit processes. The members of the Committee are Mr Antoine Jeancourt-Galignani, Mr Jean Taittinger and Dr Jens Odewald.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

+ CONDENSED STATEMENT OF INCOME

(FRF in millions)	Year ended September 30,	
	1998	1997
Disneyland® Paris Resort revenues*	5,890	5,477
Disneyland Paris Resort costs and expenses*	(4,747)	(4,597)
Income before lease and financial charges	1,143	880
Lease rental expense and net financial charges	(895)	(715)
Income before exceptional items	248	165
Exceptional income, net	42	52
Net income	290	217

* excluding construction sales

+ CONDENSED BALANCE SHEET

(FRF in millions)	September 30,	
	1998	1997
Assets		
Intangible and tangible assets	3,146	3,115
Long-term receivables	9,506	9,522
Inventories, accounts receivable and other assets	1,638	1,524
Cash and short-term investments	1,752	1,504
TOTAL ASSETS	16,042	15,665
Liabilities and Shareholders' Equity		
Shareholders' equity and bonds redeemable in shares	7,337	7,040
Borrowings	6,417	6,375
Other liabilities	2,288	2,250
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	16,042	15,665

CONDENSED STATEMENT OF CASH FLOWS

(FRF in millions)	Year ended September 30,	
	1998	1997
Cash provided by operations	593	550
Cash used in investing activities	(214)	(411)
Cash used in financing activities	19	(14)
Change in cash and cash equivalents	398	125
Cash and cash equivalents, beginning of period	1,354	1,229
Cash and cash equivalents, end of period	1,752	1,354



France Telecom



PHILIPS



THANKS TO ALL OUR PARTNERS



ARE YOU BIG ENOUGH TO BE SHRUNK IN 1999?

